

98-84356-9

Garfield, James Abram

Currency and the public
faith

Washington [D.C.]

1874

98-84356-9
MASTER NEGATIVE #

COLUMBIA UNIVERSITY LIBRARIES
PRESERVATION DIVISION

BIBLIOGRAPHIC MICROFORM TARGET

ORIGINAL MATERIAL AS FILMED - EXISTING BIBLIOGRAPHIC RECORD

“
v 13 Garfield, James Abram, pres. U.S., 1831-1881.
Currency and the public faith; speech... in the
House of representatives, April 8, 1874...
Washington, 1874.
15 p. 21 cm.

Vol. of pamphlets.

RESTRICTIONS ON USE: Reproductions may not be made without permission from Columbia University Libraries.

TECHNICAL MICROFORM DATA

FILM SIZE: 35 mm

REDUCTION RATIO: 11:1

IMAGE PLACEMENT: IA ☒ IIA IB IIB

DATE FILMED: 3-3-98

INITIALS: RB

TRACKING #: 31838

FILMED BY PRESERVATION RESOURCES, BETHLEHEM, PA.

724
Vol 4
CURRENCY AND THE PUBLIC FAITH.

SPEECH

OF

HON. JAMES A. GARFIELD,
OF OHIO,

DELIVERED IN THE

HOUSE OF REPRESENTATIVES,

APRIL 8, 1874.

"Thou shalt have a perfect and just weight, a perfect and just measure shalt thou have: that thy days may be lengthened in the land which the Lord thy God giveth thee."—*Deut. xxv, 15.*

"A false balance is abomination to the Lord: but a just weight is his delight."—*Proverbs xi, 1.*

"Capital may be produced by industry, and accumulated by economy; but jugglers only will propose to create it by legerdemain tricks with paper."—*Thomas Jefferson.*

"We are in danger of being overwhelmed with irredeemable paper; mere paper representing, not gold, nor silver no, sir—representing nothing but broken promises, bad faith, bankrupt corporations, cheated creditors and a ruined people."—*Daniel Webster.*

WASHINGTON:
GOVERNMENT PRINTING OFFICE.
1874.

SPEECH
OF
HON. JAMES A. GARFIELD.

The House having under consideration the bill (H. R. No. 1572) entitled "An act to amend the several acts providing a national currency, and to establish free banking, and for other purposes."

Mr. GARFIELD said:

Mr. SPEAKER: The hour for argument has passed. Four months of debate in the Senate and nearly three weeks of debate in the House have demonstrated that this Congress has determined to reverse the policy of its predecessors, and to enter upon a path new to our recent history, but well known as an old path of disaster and disgrace. I have sought the floor to put on record my protest against the step about to be taken. My opinions may be of but little consequence to others, but I should be untrue to myself, untrue to my deepest convictions, did I not take the occasion to warn the House and the country against what I firmly believe to be the most dangerous and fatal legislation I have known during my service in this House. This legislation is framed to answer a demand for what several gentlemen have called "cheap money." I hope they will take no offense if I say they would more fitly characterize the thing they are aiming at if they would apply to it the old, homely epithet of "*cheap and nasty*." I hope they will take no offense if I quote in this connection from a late essay of Thomas Carlyle a paragraph which strikingly exhibits my opinion of the result of this measure.

In his essay entitled "Shooting Niagara and after?" Carlyle says that one of the three things which are visibly before us is free racing, ere long with unlimited speed, in the career of cheap and nasty:

Cheap and nasty; there is a pregnancy in that poor, vulgar proverb, which I wish we better saw and valued! It is the rule, indignant protest of human nature against a mischief which, in all times and places, haunts it or lies near it, and which never in any time or place was so like utterly overwhelming it as here and now. I understand, if you will consider it, that no good man did or ever should, encourage "cheapness" at the ruinous expense of *truthness*, which is always infidelity, and is dishonorable to a man.—*Carlyle's Miscellaneous Works*, volume 6, page 373.

I cannot better characterize my opinion of the policy that seems to have been fixed upon by the late votes of the two Houses, than to say that we are proposing now to make a surrender of reality for the sake of an apparent good—to grasp at empty shadows and lose the substance. In discussing the questions which now confront us it is not always easy to find the path of duty. The conditions of the problem before us are so complicated, the subject is so many-sided, that men may well differ in methods. But we ought to follow our measures out to their inevitable consequences, and confront results as well as methods. It was easy to see and to follow the path of duty, when citizens

were called upon to decide by the wager of battle between the destruction of the nation and its salvation.

Next to the great achievements of the nation in putting down the rebellion, destroying its cause, and reuniting the Republic on the principle of liberty and equal rights to all, was that series of financial achievements by which the enormous charges of the war were paid, the debt funded, the public credit maintained, and the nation launched upon its career of prosperity. The financial perils through which we have passed were almost equal to the direst perils of the war. Trace the steps by which the nation came up through its dangers to the basis of safety and peace.

There is a fellowship among the virtues by which one great, generous passion stimulates another. When the patriotism of the people had arisen to the height of the sublime in their purpose to put down the rebellion, they manifested an equally noble purpose of meeting all their obligations incurred in the sacred work. Under the pressure of an overmastering necessity, and upon that plea alone, the nation issued its Treasury notes, and made them a legal tender in payment of debts; but by the most solemn sanctions they gave their pledge to the world that the volume should never exceed \$400,000,000, and that at the earliest possible moment they would redeem their promises and restore the currency to the standard of the Constitution.

Scarcely had the echoes of their cannon died away when they set about the work of redeeming these pledges. In 1866, by the almost unanimous voice of both Houses of Congress, the work was commenced for the redemption and cancellation of these notes. The great revenues of the nation were applied to this purpose and to the reduction of the interest-bearing debt.

Hardly had the great cost of the war been stated when the nation was menaced with the formidable threat of repudiation. The worst elements of American politics were appealed to, and the passions of selfishness and cupidity were summoned to the aid of those who joined in the assault on the public faith.

The autumn of 1867 and the spring of 1868 were days of darkness and gloom; but during the summer and fall of 1868 the republican party appealed with confidence to the American conscience to put down repudiation in every form, to keep the public faith, and pay the sacred obligations of the war to the uttermost farthing.

No issue was ever more sharply defined than that on which the presidential canvass of 1868 was made. That issue was declared in the national platform of the republican party, and the victorious results were announced in the first message of Grant, wherein he stated that—

To protect the national honor every dollar of Government indebtedness should be paid in gold unless otherwise expressly stipulated in the contract. Let it be understood that no repudiation of one farthing of our public debt will be treated in public places, and it will go far toward strengthening a credit which ought to be the best in the world.

This victory was sealed by the first act of Congress to which President Grant gave the approval of his signature, and which has been so often quoted in this debate. It was a victory won in the name of the public conscience, the public honor, the public faith—in the name of truth. From that moment the public credit was enhanced, month by month, and the national faith met no shock until the great struggle of 1870, when a most formidable attempt was made to break down the barriers of public confidence and launch the nation again upon a career of irredeemable paper-money expansion.

I believe no argument has been advanced during this debate that was not presented in the debate of 1870. I have now in my possession nearly fifty bills introduced into the two Houses of Congress in that year on this question, in which every shade of opinion now entertained in this House was expressed and advocated: bills to abolish the national-bank system and issue greenbacks in place of national-bank notes; and bills to authorize the reissue of the forty-four millions of greenbacks already retired and canceled. No one then ventured the opinion that the Secretary of the Treasury had power to reissue those notes without further authority from Congress.

The result of that debate was that the banking facilities of the South and West were increased, and additional notes were issued to the extent of fifty-four millions; but to prevent the inflation of the currency and the derangement of values it was provided that the 3 per cent. certificates, which were used as bank reserves and clearing-house certificates, should be retired and canceled *pari passu* with the increase of national-bank notes.

Those who favored a great enlargement of the currency at that time denounced the measure as wholly insufficient to meet the wants of the country. The fifty-four millions were said to be wholly inadequate to the demands of business. We were told that that amount would be taken up so soon as speedily to demonstrate its insufficiency. But, sir, the most significant possible answer to that opinion was the fact that the fifty-four millions were issued so slowly that even to-day four and one-third millions of that amount have not been taken by the national banks in the States that had less than their proportion of circulation. Let gentlemen explain this significant fact before they ask us to follow their lead.

And now, Mr. Speaker, in a time of profound peace, nine years after the last hostile gun was fired, we are called upon to reverse all this policy of the past; to break down the dikes and let the sea roll in upon us. We are asked to declare that it was a mistake to take any steps toward the resumption of specie payments; that it was a mistake to redeem our solemn promises to pay; that it was a mistake even to keep our faces turned toward the solid ground of stable values.

How many years of disastrous experience are needed to enforce the lesson that there are immutable laws of nature which no Congress can safely ignore and which no legislation can overturn? Underlying all exchange, all trade, all active industry, there are three elements which cannot be ignored, elements that enter into every contract and are of the essence of every exchange; elements that are recognized in the national Constitution.

They are the measure of extension, whether of length, breadth, depth, or capacity; the measure of weight, which is intimately related to that of extension; and the measure of value, which is closely related to both. The Constitution empowers Congress to fix the standards of weights, of measures, and of value. But Congress cannot create extension, nor weight, nor value. It can measure what exists; it can declare and subdivide and name a standard; but it cannot make length of that which has no length; it cannot make weight of that which has no weight; it cannot make value of that which has no value.

With what care has our Government protected its standards! The gentleman from Massachusetts [Mr. BUTLER] sneeringly asked, why does not some one argue in favor of redeeming the yard-stick, the quart-pot, or the Fairbanks scales? In that paragraph he uses words without significance. We do not *renew* these standards, but we do in regard to them what is analogous to the redemption of our standard

of value. Our yard-stick is a metallic bar copied from the standard yard of England, which is nearly three hundred years old. It is deposited in the office of the Coast Survey and is sacredly guarded from diminution or injury. The best efforts of science have been brought to bear to make the yard-stick as little liable as possible to mutilation or change.

Two methods have been adopted by science to test the accuracy of the standard and preserve it from loss. One is to find a pendulum which, swinging *in vacuo*, will make one vibration a second, at a given altitude from the level of the sea; the other was a method adopted by France, when in the last century she sent her surveyors to measure six hundred miles of a meridian line, from Dunkirk to Barcelona. Thus she made her meter a given aliquot part of the earth's circumference, so that should her standard be lost the measure of the globe itself would furnish the means of restoring it. Both these standards are deposited in the Coast Survey, and together with the standard measures of capacity are furnished to the several States as the standards to which all our State and municipal laws refer. Every contract for the sale and delivery of anything that can be weighed or measured is based upon these standards, and the citizen who changes the weight or the measurement, commits a misdemeanor for which he is punished by the law. The false weight and balance are still an abomination.

Sir, we do not redeem our yard-stick; but we preserve it, and by the solemn sanctions of the law demand that it shall be applied to all transactions where extension is an element. Let us with equal care restore and preserve our standard of value, which must be applied to every exchange of property between man and man. An uncertain and fluctuating standard is an evil whose magnitude is too vast for measurement. Let me call attention to a few features of the bill now before the House. Its first section abolishes all the reserves by which our statesmen have hitherto protected the circulation of banks and kept them in readiness to redeem their notes. This great safeguard is to be thrown away. The ballast is to be tossed from the boat of the balloon, the cables are to be cut which held it to the earth. But the section will operate unequally and unjustly. For example, it requires five and a half millions less of reserve to be held by the banks of New York, and five and a half millions more by the banks of Boston, than is now required by law. Inflation in New York—contraction in Boston.

Section 5 works a revolution in the system of bank balances. It requires 5 per cent. of the circulation of every national bank to be kept in New York and Washington. This takes twenty millions of greenbacks away from the sixteen redemption cities of the United States and places them in Washington and New York, for the purpose of making the officers of the Treasury assort and redeem the mutilated currency of the banks and issue new notes in their place.

By the third section forty-four millions are added to the greenback circulation. By this we are to lose all we have gained in the way of redeeming the promise of the nation to pay its long overdue paper. This is a permanent postponement of specie payments; it hopelessly cripples the machinery by which that result is to be reached. To this is added an unmitigated increase of national-bank notes.

By this measure we invite two dangers. With one hand we throw overboard the ballast; with the other we spread the sails, and thus commit the ship of our public credit.

—To the god of storms,
The lightning and the gale.

I believe, Mr. Speaker, that the proposition before us is fraught with measureless mischief. If you will authorize free banking coupled with some wise restriction, something that will lead us slowly but surely toward specie payments; if we can reach the two great results, specie payments and free banking, we shall preserve the quality of our currency and shall leave its quantity to be regulated by the demands of trade. There never did exist on this earth a body of men wise enough to determine by any arbitrary rule how much currency is needed for the business of a great country. The laws of trade, the laws of credit, the laws of God impressed upon the elements of this world, are superior to all legislation; and we can enjoy the benefits of these immutable laws only by obeying them.

I desire, Mr. Speaker, that the full supply be supplied; but let them be supplied by that which is reality, and not by broken and dishonored promises. Let us not offer to people of this country the apples of Sodom that shall turn to ashes on their lips.

I believe, sir, that if this legislation prevails the day is not far distant when the cry will come up from those who labor in humblest fields of industry, denouncing those who have let loose upon them the evils enveloped in this bill. It has been demonstrated again and again that upon the artisans, the farmers, the day-laborers falls at last the dead weight of all the depreciation and loss that irredeemable paper money carries in its train. Let this policy be carried out, and the day will surely and speedily come when the nation will clearly trace the cause of its disaster to those who deluded themselves and the people with what Jefferson fitly called "legislatorian tricks of paper money."

I was greatly surprised to hear gentlemen quote the fathers of the Republic as supporters of irredeemable paper money. The gentleman from Pennsylvania [Mr. KELLEY] has referred to Franklin to support his opinions. I appeal from the Franklin of 1729 and 1764 to the Franklin of ripper experience.

I have been, if not a thorough, yet a reverent reader of those great men whose names illuminate the pages of our history, and I affirm that they are almost unanimous in their condemnation of any standard of value except that of the Constitution, or any kind of paper money except such as is redeemable in gold at the will of the holder.

From the days of Washington to the present hour no President, no Secretary of the Treasury, and scarcely a statesman whose name is enrolled among the illustrious dead, has failed to make his protest against the weak and wicked policy of issuing and permanently maintaining an irredeemable paper currency. I should be false to history, false to the past of our nation, if I did not refer to this instructive fact.

I ask leave to put on record a few paragraphs on this subject from some of the great men who have adorned the records of our country. All are Americans save one. I quote one paragraph from an illustrious author, which exhibits the truth so well attested by the Americans whose testimony follows.

MILL.

Although no doctrine in political economy rests upon more obvious grounds than the mischief of a paper currency not maintained at the same value with a metallic, either by convertibility or some principle of limitation equivalent to it; and although accordingly this doctrine has, though not till after the discussions of many years, been tolerably effectually drummed into the public mind; yet discontents are still numerous, and projectors every now and then start up with plans for curing all the economical evils of society by means of an unlimited issue of inconvertible paper. There is, in truth, a great charm in the idea, to be able to pay off the national debt, to defray the expenses of Government without taxation,

and, in fine, to make the fortunes of the whole community, is a brilliant prospect, when once a man is capable of believing that printing a few characters on bits of paper will do it. The philosopher's stone could not be expected to do more.—*Mills' Political Economy*, volume 2, book 3, chapter 13, section 3.

BENJAMIN FRANKLIN.

It is true that Franklin, in a juvenile essay written in 1729 at the age of twenty-two, warmly advocated the paper-money delusion which was generally in vogue at that period. And he also in 1764 wrote a reply to the British Board of Trade in which the same views appear. But paper money had not yet borne its bitterest fruit. We may well appeal from his doctrines of 1729 and 1764 to the maturer counsels of 1779, when he wrote to James Lovell as follows:

I am glad to understand that you are taking measures to restore the value of your money by taxing largely to reduce the quantity. I believe no financier in the world can put you upon a more effective method.—*Franklin's Works*, volume 8, page 368, lines 14-17.

And in a still later letter, addressed to Josiah Quincy, under date of Passy, September 11, 1783, he gave this emphatic testimony:

I lament with you the many mischiefs, the injustice, the corruption of manners, &c., that attended a depreciating currency. It is some consolation to me that I washed my hands of that evil by predicting it in Congress, and proposing means that would have been effectual to prevent it if they had been adopted. Subsequent operations that I have executed demonstrate that my plan was practicable; but it was unfortunately rejected.—*Franklin's Works*, volume 10, page 9, paragraph 2.

LEE.

Richard Henry Lee, President of Congress, addressed a letter to George Washington on the 19th of November, 1785, in which occurs the following paragraph:

Is it possible that a plan can be formed for issuing a large sum of paper money by the next Assembly? I do verily believe that the greatest foes we have in the world could not devise a more effectual plan for ruining Virginia. I should suppose that every friend to his country, every honest and sober man, would join heartily to repudiate so nefarious a plan of speculation.

WASHINGTON.

To it Washington replied:

I have never heard and I hope never shall hear, any serious mention of a paper emission in this State, yet such a thing may be in agitation. Ignorance and design are productive of much mischief. The former is the tool of the latter, and is often set to work suddenly and unexpectedly. Those with whom I have conversed on the subject in this part of the State, reprobate the idea exceedingly. (*Spark's edition Washington's Writings*, volume 9, page 130.)

In writing to Thomas Jefferson from Mount Vernon, under date of August 1, 1786, Washington says:

Some other States are, in my opinion, falling into the very foolish and wicked plan of emitting paper money. I cannot, however, give up my hopes and expectations, that we shall ere long adopt a more just and liberal system of policy.

In the course of the same letter he refers to the death of General McDougall, and says:

He belonged to the Legislature of his State. The last act of his life was (after being carried on purpose to the Senate) to give his voice against the emission of a paper currency. (Volume 9, page 184.)

In a letter dated Mount Vernon, February 16, 1787, addressed to Thomas Stone, a member of the Maryland senate, who had written to Washington that the house of representatives of that State had passed an act to authorize the issue of bills of credit to the amount of

£350,000 at 6 per cent. interest, payable annually, and the principal redeemable in ten years, Washington says:

I do not scruple to declare that if I had a voice in your Legislature it would have been given decidedly against a paper emission upon the general principles of its utility as a representative, and the necessity of it as a medium.

To assign reasons for this opinion would be as unnecessary as tedious. The ground has been so often trod that a place hardly remains untouched. In a word, the necessity arising from a want of specie is represented as greater than it really is. I contend that it is by the substance, not by the shadow of a thing, we are to be benefited. The wisdom of man, in my humble opinion, cannot at this time devise a plan by which the credit of paper money would be long supported; consequently depreciation keeps pace with the quantity of the emission, and articles for which it is exchanged rise in a greater ratio than the sinking value of the money. Wherein, then, is the farmer the planter, the artisan benefited? The debtor may be, because, as I have observed, he gives the shadow in lieu of the substance; and in proportion to his gain, the creditor of the body-politic suffers. Whether it be a legal tender or not, it will, as has been observed very truly, leave no alternative. It must be that or nothing. An evil equally great is the door it immediately opens for speculation, by which the least designing, and perhaps most valuable, part of the community are preyed upon by the more knowing and crafty speculators.

But, contrary to my intention and declaration, I am offering reasons in support of my opinion; reasons, too, which of all others are least pleasing to the advocate for paper money. I shall therefore only observe generally, that so many people have suffered by former emissions, that like a burnt child who dreads the fire, no person will touch it who can possibly avoid it. The natural consequence of which will be, that the specie which remains unexported will be instantly locked up. (Volume 9, page 231.)

JOHN ADAMS.

I cannot but lament from my inmost soul that lust for paper money which appears in some parts of the United States. There will never be any uniform rule, if there is any sense of justice, nor any clear credit, public or private, nor any solid confidence in public men or measures, until paper money is done away.—*John Adams*, 1786.

PELETIAH WEBSTER.

Peletiah Webster, a merchant of Philadelphia, and an uncle of Noah Webster, the lexicographer, published a series of articles on the currency, which were collected in a volume in 1790. In 1781 he had published an able pamphlet, urging a convention for enlarging the Constitution. In one of his papers, written in 1789, on the effect of paper money, he says:

We have suffered more from this cause than from every other cause of calamity; it has killed more men, pervaded and corrupted the choicest interests of our country more, and done more injustice than even the arms and artifices of our enemies. . . . If it saved the State, it has also polluted the equity of our laws; turned them into engines of oppression and wrong; corrupted the justice of our public administration; destroyed the fortunes of thousands of those who had the most confidence in it; enervated the trade, husbandry, and manufactures of our country, and gone far to destroy the morality of our people.—*Gouge, History of Paper Money*, pages 30, 31.

After quoting this paragraph Mr. Gouge says, writing in 1823, on page 31:

Many who are yet living can attest the truth of the statement.

THE CONSTITUTIONAL CONVENTION OF 1787.

The history of the convention that framed the national Constitution is full of significance in its relation to paper money. There can be no doubt that the founders believed they had drafted an instrument that made the evils of paper money impossible. After expressly prohibiting the States from emitting bills of credit, they proceeded to strike out from the first draft of the Constitution a clause which gave that power to Congress. I quote from the Madison Papers:

Mr. GORHAM: Motion moved to strike out "and emit bills on the credit of the United States." If the United States had credit, such bills would be unnecessary; if they had not, unjust and useless.

Mr. BUTLER seconds the motion.

Mr. MADISON. Will it not be sufficient to prohibit the making them a tender? This will remove the temptation to emit them with unjust views, and promissory notes in that shape will be in some emergencies the best.

Mr. GOVERNOR MORRIS. Striking out the words will leave room still for notes of a responsible minister, which will do all the good without the mischief. The moneyed interest will expose the plan of government, if paper emissions be not prohibited.

Mr. GORHAM was for striking out without inserting any prohibition. If the words stand they may suggest and lead to the measure.

Mr. MASON had doubts on the subject. Congress, he thought, would not have the power unless it were expressed. Though he had a mortal hatred to paper money, yet, as he could not foresee all emergencies, he was unwilling to tie the hands of the Legislature. He observed that the late war could not have been carried on had such a prohibition existed.

Mr. GORHAM. The power, as far as it will be necessary or safe, is involved in that of borrowing.

Mr. MERRITT was a friend to paper money, though in the present state and temper of America he should neither propose nor approve of such a measure. He was consequently opposed to a prohibition of it altogether. It will stamp suspicion on the Government to deny it a discretion on this point. It was impudently also to excite the opposition of all those who were friends to paper money. The people of property would be sure to be on the side of the plan, and it was impudently to purchase their further attachment with the loss of the opposite class of citizens.

Mr. ELLSWORTH thought this a favorable moment to shut out the door against paper money. The subscribers of the various experiments which had been made were now fresh in the public mind, and had excited the disgust of all the respectable part of America. By withholding the power from the new Government, more friends of influence would be gained to it than by almost anything else. Paper money can in no case be necessary. Give the Government credit and other resources will suffice. The power may do harm, never good.

Mr. RANDOLPH, notwithstanding his antipathy to paper money, could not agree to strike out the words, as he could not foresee all the occasions that might arise.

Mr. WILSON. It will have a most salutary influence on the credit of the United States, to remove the possibility of paper money. This expedient can never succeed while its mischiefs are renounced; and, as long as it can be resorted to, it will be a bar to other resources.

Mr. DUTLER remarked, that paper was a legal tender in no country in Europe. He was urgent for disarming the Government of such a power.

Mr. MASON was still averse to tying the hands of the Legislature altogether. If there was no example in Europe, as just remarked, it might be observed, on the other side, that there was none in which the Government was restrained on this head.

Mr. READ thought the words, if not struck out, would be as alarming as the mark of the beast in Revelation.

Mr. LEXINGTON had rather reject the whole plan than retain the three words "and emit bills."

On the motion for striking out—
New Hampshire, Massachusetts, Connecticut, Pennsylvania, Delaware, Virginia, North Carolina, South Carolina, Georgia, ay—9; New Jersey, Maryland, no—4.

To this vote is appended the following note by Mr. Madison:

* This vote in the affirmative by Virginia was occasioned by the acquiescence of Mr. Madison, who became satisfied that striking out the words would not disable the Government from the use of public notes, as far as they could be safe and proper; and would only cut off the pretext for a paper currency, and particularly for making the bills a tender, either for public or private debts.

ALEXANDER HAMILTON.

In answer to a resolution of the House of Representatives, requiring the Secretary of the Treasury to report what may be necessary for the establishment of the public credit, Hamilton made his report to the House on the national bank, December 13, 1793, in which he said:

The emitting of paper money by the authority of the Government is wisely prohibited to the individual States by the national Constitution; and the spirit of that prohibition ought not to be disregarded by the Government of the United States. Though paper emissions, under a general authority, might have some advantages not applicable and be free from some disadvantages which are applicable to the like emissions by the States separately, yet they are of a nature so liable to abuse—and it may even be affirmed, so certain of being abused—that the wisdom of the Government will be shown in never trusting itself with the use of so seducing and dangerous an expedient. In times of tranquillity it might have no ill consequence;

it might even perhaps be managed in a way to be productive of good; but in great and trying emergencies there is almost a moral certainty of its becoming mischievous.

The stamping of paper is an operation so much easier than the laying of taxes that a Government in the practice of paper emissions would rarely fail in any such emergency to indulge itself too far in the employment of that resource to avoid, as much as possible, any less auspicious to present popularity. If it should not even be carried so far as to be rendered an absolute bubble, it would at least be likely to be extended to a degree which would occasion an inflated and artificial state of things incompatible with the regular and prosperous course of the political economy.

Among other material differences between a paper currency issued by the mere authority of Government, and one issued by a bank payable in coin, is this: That, in the first case, there is no standard to which an appeal can be made as to the quantity which will only satisfy or which will surcharge the circulation. In the last that standard results from the demand. If more should be issued than is necessary, it is a limitation in the nature of the thing, while the discretion of the Government is the only measure of the extent of the emissions by its own authority.—*Works of Alexander Hamilton*, volume 3, page 143.

JEFFERSON.

Few of the revolutionary fathers made a more careful study and enjoyed a wider range of experience on questions of political economy than Thomas Jefferson. His writings abound in striking passages, setting forth the evils of paper money.

Writing from Monticello, June 24, 1813, to John W. Eppes, he says:

Every one knows that although not literally it is nearly true that every paper dollar emitted banishes a silverone from the circulation. A nation, therefore, making its purchases and payments with bills lent for circulation, thrusts an equal sum of coin out of circulation.

In this letter he complains that the States "have unfortunately fooled away, nay corruptly alienated to swindlers and shavers, under the cover of private banks, the power of issuing bills in time of war."

He holds that Congress ought to take control of this subject and not allow it to the States. Toward the close of the letter he says that we have unfortunately copied from Great Britain the idea of giving paper in exchange for discounted bills, and says (page 442) of Great Britain:

The unlimited emission of bank paper has banished all her specie, and is now, by a depreciation acknowledged by her own statement, carrying her rapidly to bankruptcy as it did France, as it did us, and will do us again, and every country permitting paper to be circulated other than that by public authority, rigorously limited to the just measure for circulation. Private fortunes in the present state of our circulation are at the mercy of those self-created money-lenders, and are prostrated by the flow of nominal money with which their various devices deluge.

Jefferson's Works, volume 6, page 138.

In another letter to John W. Eppes, dated Monticello, November 6, 1813, he says:

It is a litigated question whether the circulation of paper, rather than of specie, is a good or an evil. In the opinion of England and of English writers it is a good; in that of all other nations it is an evil; and excepting England and her copyist, the United States, there is not a nation existing, I believe, which tolerates a paper currency. The experiment is going on, however, desperately in England, pretty boldly with us, and at the end of the chapter we shall see which opinion experience approves; for I believe it to be one of those cases where mercantile clamor will bear down reason until it is corrected by ruin.

The adequate price of a thing depends on the capital and labor necessary to produce it. Two things require the same capital and labor could be produced at the same price.

The comparative prices of things being thus to be estimated and expressed by a common measure, we may proceed to observe that where a country is so much indebted as to have no commercial intercourse with any other, to continue the interchange of all its wants and supplies within itself, the amount of circulating medium as a common measure for adjusting those exchanges, would be quite inadequate. If their circulation, for instance, were of a million of dollars, and the annual produce of their industry equivalent to ten millions of bushels of

wheat, the price of a bushel of wheat might be one dollar. If then, by a progressive coinage, their medium should be doubled the price of a bushel of wheat might become progressively two dollars, and without inconvenience. But where a nation is in a full course of interchange of wants and supplies with all others, the proportion of its medium to its produce is no longer indifferent. To trade on equal terms, the common measure of values should be as nearly as possible on a par with that of its corresponding nations, whose medium is in a sound state; that is to say, not in an accidental state of excess or deficiency. Now one of the great advantages of specie as a medium is, that being of universal value, it will keep itself at a general level, flowing out from where it is too high into parts where it is lower. Whereas, if the medium be of local value only, as paper money, it too little indeed, gold and silver will flow in to supply the deficiency; but if too much, it accumulates, bundles the gold and silver not locked up in vaults, and hoards and depreciates itself; that is to say, its proportion to the annual produce of industry being raised, more of it is required to represent any particular article of produce than in the other case. (Volume 6, page 234.)

And again, (*ibid.*, page 241):

The truth is, that capital may be produced by industry, and accumulated by economy; but jugglers only will propose to create it by legal-magic tricks with paper.

He then discussed the proposition pending at that time in Congress for more circulation, and says:

The overbearing clamor of merchants, speculators, and projectors will drive us before them, with our eyes open, until as in France, under the Mississippi bubble, our citizens will be overruled by the crash of this baseless fabric, without other satisfaction than that of execrations on the heads of those functionaries, who, from ignorance, pusillanimity, or corruption have betrayed the fruits of their industry into the hands of projectors and swindlers.

He then argues the necessity of bringing our money to specie values, and says:

That specie is the most perfect medium because it will preserve its own level, because, having intrinsic and universal value, it can never die in our hands, and it is the surest resource of reliance in time of war; that the trifling economy of paper as a cheaper medium, or its convenience for transmission, weighs nothing in opposition to the advantages of the precious metals; that it is liable to be abused, has been, is, and forever will be, abused in every country in which it is permitted; that it is already at a term of abuse in these States which has never been reached by any other nation, France excepted, whose dreadful catastrophe should be a warning against the instrument which produced it; that we are already at ten or twenty times the due quantity of medium, inasmuch that no man knows what his property is now worth, because it is blating while he is calculating, and still less what it will be worth when the medium shall be relieved from its present dropical state; and that it is a palpable falsehood to say we can have specie for our paper whenever demanded.

Instead, then, of yielding to the cries of scarcity of medium set up by speculators, projectors, and commercial gamblers, no endeavors should be spared to begin the work of reducing it by such gradual means as may give time to private fortunes to preserve their poise and settle down with the subsiding medium; and that for this purpose the States should be urged to concede to the General Government, with a saving of chartered rights, the exclusive power of establishing banks of discount for paper.

MADISON.

In a letter to Jefferson dated August 12, 1786, Mr. Madison, says:

These fruits of the Revolution do great honor to it. I wish all our proceedings merited the same character. Unhappily there are but too many belonging to the opposite side of the account. At the head of these is to be put the general rage for paper money. Pennsylvania and North Carolina took the lead in this folly. In the former the sum emitted was not considerable, the funds for sinking it were good, and it was not used as a legal-tender. It issued into circulation partly by way of loan to individuals on landed security, partly by way of payment to the public creditors. Its present depreciation is about 10 or 12 per cent. In North Carolina the sum issued at different times have been of greater amount, and it has constantly been a tender. It issued partly in payments to military creditors and latterly, in purchases of tobacco on public account. The agent, I am informed, was authorized to give nearly the double of the current price; and as the paper was a tender, debtors ran to him with their tobacco, and the creditors paid the expense of the force. The depreciation is said to be 25 or 30 per cent. in that State. South Caro-

lina was the next in order. Her emission was in the way of loans to individuals and is not a legal-tender. But land is there made a tender in case of suits, which shuts the courts of justice, and is, perhaps, a great evil. The friends of the emission say that it has not yet depreciated, but they admit that the price of commodities has risen, which is evidently the form in which depreciation will first show itself.

New Jersey has just issued £30,000 (dollar at 75 cts.) in loan to her citizens. It is a legal tender. An addition of £100,000 is shortly to follow on the same principles. The terror of popular associations stifles, as yet, an exact discrimination between it and specie; but as this does not operate in Philadelphia and New York, where all the trade of New Jersey is carried on, its depreciation has already commenced in those places, and must soon communicate itself to New Jersey. New York is striking £200,000 (dollar at 50 cts.) on the plan of loans to her citizens. It is made a legal tender in case of suits. As it is but just issued from the press, its depreciation exists only in the forecast of those who reason without prejudice on the subject. In Rhode Island, £100,000 (dollar at 64 cts.) has lately been issued in loans to individuals. It is not only made a tender, but severe penalties annexed to the least attempt, direct or indirect, to give a preference to specie. Precautions dictated by distrust in the rulers soon produced it in the people. Supplies were withheld from the market, the shops were shut, popular meetings ensued and the State remains in a sort of convulsion.

The Legislature of Massachusetts, at their last session, rejected a paper emission by a large majority. Connecticut and New Hampshire also have as yet forbore, but symptoms of danger, it is said, begin to appear in the latter. The senate of Maryland has hitherto been a bar to paper in that State. The clamor for it is now universal, and as the periodical election of the senate happens at this crisis, and the whole body is unlikely by their constitution to be chosen at once, it is probable that a paper emission will be the result. If in spite of the zeal exerted against the old senate, a majority of them should be re-elected, it will require all their firmness to withstand the popular torrent. Of the affairs of Georgia I know as little as of those of Kamtshatka.

Whether Virginia is to remain exempt from the epidemic malady will depend on the ensuing Assembly. My hopes rest chiefly on the exertions of Colonel Mason, and the failure of the experiments elsewhere. That these must fail is morally certain; for besides the proofs of it already visible in some States, and the intrinsic defect of the paper itself, this fictitious money will rather feed than cure the spirit of extravagance which sends away the coin to pay the unfavorable balance, and will therefore soon be carried to market to buy up coin for that purpose. From that moment depreciation is inevitable. The value of money consists in the uses it will serve. Specie will serve all the uses of paper; paper will not serve out of the essential uses of specie.—*Madison's Works*, volume 1, page 382.

In a letter to C. D. Williams, of February, 1820, he says:

It cannot be doubted that a paper currency, rigidly limited in its quantity to purposes absolutely necessary, may be made equal and even superior in value to specie. But experience does not favor a reliance on such experiment. Whenever the paper has not been convertible into specie, and its quantity has depended on the policy of the Government, a depreciation has been produced by an undue increase, or an appropriation of it.—*Madison's Works*, volume 3, page 165.

WEBSTER.

In 1816 Daniel Webster said, in this House:

Wars and invasions are not always the most certain destroyers of national prosperity. They announce their own approach, and the general security is preserved by the general alarm. Not so with the evils of a debased coin, a depreciated paper currency, or a depressed and falling public credit. Not so with the plausible and insidious mischiefs of a paper-money system. These insinuate themselves in the shape of facilities, accommodation, and relief. They hold out the most fallacious hope of an easy payment of debt, and a lighter burden of taxation.

In 1833 Mr. Webster said in the Senate:

We are in danger of being overwhelmed with irredeemable paper, mere paper representing not gold nor silver; no, *sr.* representing nothing but ground promises, bad faith, bankrupt corporations, cheated creditors, and a ruined people.

And again, in 1836, he said:

If we wish to restore the public credit and to re-establish the finances, we have the beaten road before us. All true analogy, all experience, and all the laws of the wise and systematic economy, and a settled and substantial revenue, are the means to be relied on; not excessive issues of bank notes, a forced circulation, and all the miserable contrivances to

which political folly can resort, with the idle expectation of giving to mere paper the quality of money. These are the inventions of a short-sighted policy, vexed and goaded by the necessities of the moment, and thinking loss of a permanent remedy than of shifts and expedients to avoid the present distress. They have been a thousand times adopted, and a thousand times exploded as delusive and ruinous, as destructive of all solid revenue, and incompatible with the security of private property.

GONGE, 1833.

Speaking of the system of bank paper as a circulating medium Mr. W. M. Gonge, who published his able work entitled a *Short History of Paper Money and Banking in the United States in 1833*, says:

As in the case of all public evils, the system bears with the most hardship on the poor. The rate of wages is, as we have seen, the last thing that is affected by an expansion; and one necessary consequence of a contraction is to deprive some men of employment. If a rich man cannot sell his merchandise to-day, he can sell it to-morrow; and if he cannot sell it for full price, he can sell it for half price. But labor is the poor man's only commodity. If he cannot sell it to-day, it is lost to him forever.

The substantial capitalist is a frequent loser, though sometimes a gainer, by these fluctuations. If his capital is small, and his credit in proportion, it is with difficulty he escapes from total ruin in times of contraction.

The reckless speculator who has no capital of his own, but who operates extensively on the capital of other people, has much cause to be well pleased with this system. If a loss is sustained by a fall of prices the loss falls on his creditors, for he has nothing to lose. If there is a gain through a rise of prices, the gain is all his own.

CALHOUN, 1837.

The currency of a country is to the community what the blood is to the human system. It constitutes a small part, but it circulates through every portion, and is indispensable to all the functions of life. The currency bears even a smaller proportion to the aggregate capital of the community than what the blood does to the solids in the human system. What that portion is has not been, and perhaps cannot be, accurately ascertained, as it is probably subject to considerable variations. It is probably between twenty-five and thirty-five to one. I will assume it to be thirty to one. With this assumption, let us suppose a community whose aggregate capital is \$1,000,000, its currency would be, by supposition, one million, and the residue of its capital thirty millions. This being assumed, if the currency be increased or decreased, the other portion of the capital remains the same, according to the well-known laws of currency; property would rise or fall with increase or decrease; that is, if the currency be increased to two millions, the aggregate value of property would rise to sixty millions; and if the currency be reduced to \$500,000, it would be reduced to fifteen millions. With this law so well established, place the money-power in the hands of a single individual, or a combination of individuals, and, by expanding or contracting the currency they may raise or sink prices at pleasure; and by purchasing when at the greatest depression, and selling at the greatest elevation, may command the whole property and industry of the community and control its fiscal operations. The banking system concentrates and places the power in the hands of those who control it, and its force increases just in proportion as it dispenses with a metallic basis. Never was an engine invented better calculated to place in the hands of the many the hands of the few, or less favorable to that equality and independence which lie at the bottom of all free institutions.—*Calhoun; Debates in Congress*, volume 14, part 1, 1837, page 476.

CALHOUN, MARCH 22, 1838.

I now undertake to affirm positively, and without the least fear that I can be answered,—that heretofore I have but suggested,—that a paper issued by Government, with the simple promise to receive it, in all its due, leaving its creditors to take it or gold and silver at their option, would, to the extent that it would circulate, form a perfect paper circulation which could not be abused by the Government, that it would be as steady and uniform in value as the metals themselves.

BUCHANAN, 1837.

The evils of a redundant paper circulation are now manifest to every eye. It ultimately raises and sinks the value of every man's property. It makes a beggar of the man to-morrow who is indulging in dreams of wealth to-day. It converts the business of society into a mere lottery, where those who distribute the prizes are wholly irresponsible to the people. When the collapse comes, as some it must, it casts laborers out of employment, crushes manufacturers and merchants, and ruins thousands of honest and industrious citizens.—*Buchanan; Debates in Congress*, volume 14, part 1, 1837, page 553.

S. P. CHASE.

Mr. Chase, in his annual report of December 9, 1861, discusses two financial plans; one for issuing greenbacks as currency, the other for establishing national banks. After stating the advantages of the first, he says:

These advantages are, doubtless, considerable; and if a scheme can be devised by which such a circulation will be certainly and strictly confined to the real needs of the people and kept constantly equivalent to specie by prompt and certain redemption in coin, it will hardly fail of legislative sanction.

The plan, however, is not without serious inconveniences and hazards. The temptation, especially great in time of pressure and danger, to issue notes without adequate provision for redemption; the ever-present liability to be called on for redemption beyond means, however carefully provided and managed; the hazard of panics, precipitating demands for coin, concentrated on a few points and a single fund; the risk of a depreciated, depreciating, and finally worthless paper money; the innumerable evils of dishonored public faith and national bankruptcy; all these are possible consequences of the adoption of a system of government circulation. It may be said, and perhaps truly, that they are less deplorable than those of an irredeemable bank circulation. Without entering into that comparison, the Secretary contents himself with observing that, in his judgment, these possible disasters so far outweigh the probable benefits of the plan that he feels himself constrained to forbear recommending its adoption.

In the Finance Report for 1862, page 16, Mr. Chase says:

A circulation composed exclusively of notes issued directly by the Government, or of such notes and coin, is recommended mainly by two considerations—the first derived from the facility with which it may be provided in emergencies, and the second from its cheapness.

The principal objections to such a circulation as a permanent system are, first, the facility of excessive expansion when expenditures exceed revenue; second, the danger of lavish and corrupt expenditure, stimulated by facility of expansion; third, the danger of fraud in management and supervision; fourth, the impossibility of providing it in sufficient amounts for the wants of the people whenever expenditures are reduced to equality with or below it.

If these reasons be sound little room can remain for doubt that the evils certain to arise from such a scheme of currency, if adopted as a permanent system, greatly overbalance the temporary, though not inconsiderable, advantages offered by it.

It remains to be considered what results may be reasonably expected from an act authorizing the organization of banking associations, such as the Secretary proposed in his last report.

The central idea of the proposed measure is the establishment of one sound uniform circulation of equal value throughout the country, upon the foundation of national credit combined with private capital.

Such a currency, it is believed, can be secured through banking associations organized under national legislation.

It is proposed that these associations be entirely voluntary. Any persons desirous of employing real capital, in sufficient amounts, can, if the plan be adopted, join together under proper articles, and, having contributed the requisite capital, can invest such part of it, not less than a fixed minimum, in United States bonds, and having done so, may receive these bonds with the proper officer of the United States, can receive United States notes in such denominations as may be desired, and employ them as money in discounts and exchanges.

Thus from the beginning until now, have our leading statesmen uttered their warning voices. At no period have the warnings been more needed than at the present moment. Gentlemen may despise the wisdom of the warnings of the past, but at last the truth will vindicate and avenge itself. Gentlemen hope that this bill will give relief to the country; but that hope is delusive. Any relief it may bring will be temporary, and it will bring in its train greater evils than those we now suffer. By the currency act of 1870, the West and South are now entitled to a distribution of \$25,000,000 of banking circulation to be taken from the overplus of the Eastern States. If that is not enough, let the amount be increased; but let the increase be coupled with provisions that shall prevent the further depreciation of the mass. Above all things, let us take no step backward; but persevere in the purpose to restore to the people their standard of value, and make their money better rather than worse.

3/838

END OF
TITLE